

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Athletic Department
Southeastern Louisiana University
University of Louisiana System
State of Louisiana
Hammond, Louisiana

February 13, 2002



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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**ATHLETIC DEPARTMENT
SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Hammond, Louisiana**

**Financial Statement and
Independent Accountant's Report
For the Year Ended June 30, 2001
With Supplemental Information Schedule**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor and at the office of the parish clerk of court.

February 13, 2002

**ATHLETIC DEPARTMENT
SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

Financial Statement and
Independent Accountant's Report
For the Year Ended June 30, 2001
With supplemental Information Schedule

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February 1, 2002

Independent Accountant's Report on
Applying Agreed-Upon Procedures

DR. RANDY MOFFETT, PRESIDENT
SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Hammond, Louisiana

We have audited the general purpose financial statements of Southeastern Louisiana University, a component unit of the State of Louisiana reporting entity, as of and for the year ended June 30, 2001, and have issued our report thereon dated December 13, 2001. As requested by the university, we have also performed the procedures, as enumerated below, which were agreed to by management of the university. These procedures were applied to the accounting records and internal controls of the Southeastern Louisiana University Athletic Department and to the related outside organizations created for or in behalf of the university's intercollegiate athletic programs for the year ended June 30, 2001, solely to assist the university in complying with NCAA Bylaw 6.2.3.1. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of management of Southeastern Louisiana University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

STATEMENT OF REVENUES AND EXPENDITURES

1. We obtained written representations from management as to the fair presentation of the statement of revenues and expenditures of the intercollegiate athletic program for the year ended June 30, 2001, as shown on Statement A. We also verified the mathematical accuracy of the amounts on the statement and agreed the amounts to the university's general ledger.

We found no exceptions as a result of these procedures.

2. We compared the statements of revenues and expenditures of the intercollegiate athletic programs for June 30, 2000, and June 30, 2001, to identify variances of five percent or greater between individual revenue and expenditure accounts of each fiscal year. As a result of our procedure, we identified variances of five percent or greater in the following accounts:

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**DR. RANDY MOFFETT, PRESIDENT
SOUTHEASTERN LOUISIANA UNIVERSITY
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STATE OF LOUISIANA**
Accountant's Report, June 30, 2001

Revenues

- Gate receipts
- Guarantees
- NCAA distributions
- Concessions
- Program sales

Expenditures

- Travel
- Operating services
- Supplies
- Professional services
- Equipment
- Other charges

3. We compared the budgeted revenues and expenditures to actual revenues and expenditures for the year ended June 30, 2001, to identify any unfavorable variances of five percent or greater. As a result of our procedure, we identified unfavorable variances in the following accounts:

- Other sources
- Other charges

4. We obtained from university management a list of contributions received by the athletic department to identify any individual contributions that constituted more than ten percent of the total contributions.

One individual contribution from the First Guaranty Bank totaling \$27,500 exceeded ten percent (\$16,816) of the total contributions.

INTERNAL CONTROL - POLICIES AND PROCEDURES RELATING TO INTERCOLLEGIATE ATHLETICS - AGREED-UPON PROCEDURES

5. We made inquiries of management and obtained the university's organization chart, employee job descriptions, and written athletic department policies and procedures to identify aspects of internal control unique to the university's intercollegiate athletics department and to detect deficiencies in the components of those controls.

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We detected no deficiencies in the components of the internal controls unique to the university's intercollegiate athletic department.

6. We performed tests of controls unique to the university's intercollegiate athletic department to determine adherence to established policies and procedures related to revenues and expenditures:

- a. We randomly selected one cash-receipt batch sheet of ticket sales and followed it through the university's cash control system to determine adherence to established policies and procedures.

We found no exceptions as a result of this procedure.

- b. We selected the ten largest athletic department cash disbursement transactions and followed them through the university's accounting system to determine adherence to established policies and procedures.

We found no exceptions as a result of this procedure.

- c. We conducted inquiries and observations of the athletic department personnel to determine their compliance with policies and procedures relating to the control and safeguarding of unsold tickets.

We found no exceptions as a result of this procedure.

7. We inquired of management about the involvement of the university's internal auditor in the intercollegiate athletics program and obtained workpaper documentation and reports issued by the internal auditor to support the auditor's involvement.

During fiscal year 2001, the internal auditor issued two internal audit reports: an internal audit of the Athletics Revenue and Expenditures for the year ended June 30, 2000, and test of inventories at June 30, 2000. The Athletics Revenues and Expenditures report addresses minor recommendations that were corrected by management before the audit of the athletic department's Statement of Revenues and Expenditures for the year ended June 30, 2001. The test of inventory report stated that athletic merchandise and concessions inventories were fairly stated at June 30, 2000.

8. We obtained the university's procedures for gathering information on the nature and extent of booster group activity for or in behalf of the university's

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Accountant's Report, June 30, 2001

intercollegiate athletics program to identify deficiencies in the design of those procedures.

We found no deficiencies in the design of the university's procedures for gathering information on the nature and extent of booster group activities for or in behalf of the university's intercollegiate athletics program.

**EXPENDITURES OF OUTSIDE ORGANIZATIONS MADE
FOR OR IN BEHALF OF SOUTHEASTERN LOUISIANA
UNIVERSITY INTERCOLLEGIATE ATHLETICS PROGRAM**

9. We obtained written representation from management of the university that the following groups were the only outside organizations created for or in behalf of the athletic department.

Southeastern Athletic Association, Inc. (formerly known as Southeastern Louisiana University Booster Club, Inc.)
Southeastern Development Foundation, Inc.

10. We obtained from representatives of the outside organizations statements of cash receipts and disbursements with written representations as to the fair presentation of the statements. We compared the revenues and expenditures of the outside organization for or in behalf of the athletic department to the revenues and expenditures reported on the university's Schedule of Revenues and Expenditures of Outside Funds Not Subject to University's Accounting Control (Schedule 1) and identified any reconciling items.

We found no exceptions as a result of this comparison.

11. We compared the direct payments of the outside organization to the university with the revenues reported on the university's Statement of Revenues and Expenditures (Statement A) and identified any reconciling items.

We found no exceptions as a result of this comparison.

12. For all outside organizations that had an independent audit, we obtained the independent auditor's reports to identify any reportable conditions relating to the outside organization's internal controls and made inquiries of management to document any corrective action taken in response to the reportable conditions.

The financial statements of the Southeastern Athletic Association, Inc., were audited by an independent certified public accounting firm for the year ended

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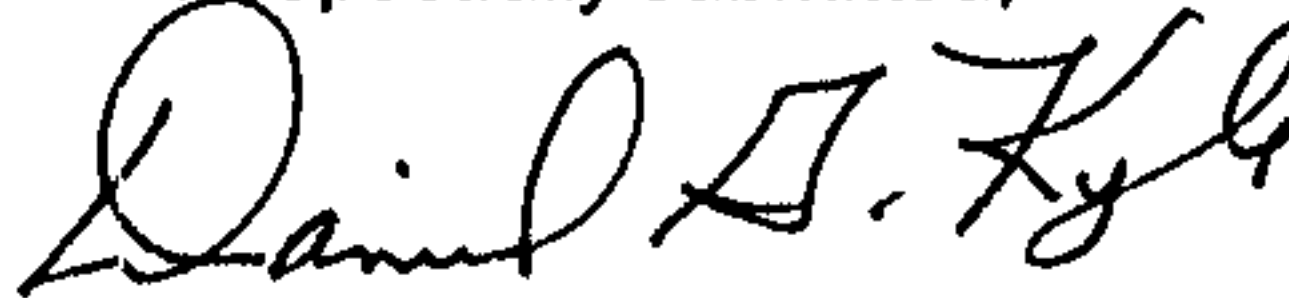
Accountant's Report, June 30, 2001

June 30, 2001. The audit report is dated September 20, 2001, and included no reportable conditions relating to the outside organization's internal controls. The financial statements of the Southeastern Development Foundation, Inc., were audited by an independent certified public accounting firm for the year ended June 30, 2001. The audit report is dated October 9, 2001, and included no reportable conditions relating to the outside organization's internal controls.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the statement of revenues and expenditures of the Southeastern Louisiana University Athletic Department. Accordingly, we do not express such an opinion. Also, we express no opinion on Southeastern Louisiana University's internal controls over financial reporting or any part thereof. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of Southeastern Louisiana University and is not intended to be and should not be used by anyone other than management of the university. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle", is written over a horizontal line.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

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{SLUNCAA01}

ATHLETIC DEPARTMENT
SOUTHEASTERN LOUISIANA UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
(A PORTION OF) CURRENT FUNDS
UNRESTRICTED - AUXILIARY ENTERPRISE FUNDS

Statement of Revenues and Expenditures
For the Year Ended June 30, 2001

REVENUES

Gate receipts	\$50,503
Student fees	1,696,941
Guarantees	184,660
NCAA distribution	100,315
Program sales	1,194
Concessions	176
Other sources	214,796
Total revenues	<u>2,248,585</u>

EXPENDITURES

Personal services and related benefits	940,291
Travel	335,747
Operating services	104,044
Supplies	117,985
Professional services	88,608
Other charges	3,775
Equipment	636,145
Total expenditures	<u>2,226,595</u>

EXCESS OF REVENUES OVER EXPENDITURES

\$21,990

The accompanying notes are an integral part of this statement.

UNAUDITED

ATHLETIC DEPARTMENT SOUTHEASTERN LOUISIANA UNIVERSITY UNIVERSITY OF LOUISIANA SYSTEM STATE OF LOUISIANA

Notes to the Financial Statement
For the Year Ended June 30, 2001

INTRODUCTION

Southeastern Louisiana University is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana within the executive branch of government. The Southeastern Louisiana University Athletic Department, which operates the intercollegiate athletics program, is a part of Southeastern Louisiana University. The accompanying financial statement presents information only as to the transactions of the Southeastern Louisiana University Athletic Department.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FUND ACCOUNTING

To observe limitations and restrictions placed on the use of available resources, the accounts of Southeastern Louisiana University are maintained in accordance with the principles of fund accounting. Such principles prescribe the manner in which resources for various purposes are classified, for accounting and reporting purposes, into funds that are in accordance with the activities or specified objectives. Accounts are maintained for the transactions of the athletic department as follows:

Current Funds - Unrestricted

Unrestricted current funds include all funds for operating purposes on which there are no restrictions, except the budgetary control included in the annual legislative appropriation act, and include the auxiliary enterprise fund. The auxiliary enterprise fund includes the accounts of the athletic department.

B. BASIS OF ACCOUNTING

The accounts of the athletic department are maintained on the accrual basis of accounting as follows:

Revenues

Substantially all revenues are recognized when earned.

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Notes to the Financial Statements (Continued)

Expenditures

Expenditures are generally recognized under the accrual basis of accounting when incurred, except that depreciation is not recognized.

C. EMPLOYEE COMPENSATED ABSENCES

Employees of the university working in the athletic department earn annual and sick leave in accordance with state law and administrative regulations.

2. CONTRIBUTIONS EXCEEDING TEN PERCENT OF TOTAL CONTRIBUTIONS

First Guaranty Bank contributed \$27,500 for the year ended June 30, 2001, which exceeded 10% of total contributions made to the Southeastern Louisiana University Athletic Department.

3. PENSION PLANS

Plan Description. Substantially all employees of the athletic department are members of the Louisiana State Employees Retirement System (LASERS) or the Louisiana Teachers Retirement System (TRS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivor's benefits to plan members and beneficiaries. Benefits granted by the retirement system are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Funding Policy. The contribution requirements of plan members and the athletic department are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in Louisiana Revised Statute (R.S.) 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 14.2% of covered salaries to TRS and 13% of covered salaries to LASERS. The athletic department's employer contributions to TRS for the years ended June 30, 2001, 2000, and 1999, were \$12,808, \$21,704, \$22,768, respectively, and to LASERS for the years ended June 30, 2001, 2000, and

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Notes to the Financial Statements (Continued)

1999, were \$16,131, \$17,181, \$29,488, respectively, equal to the required contributions for each year.

4. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program will aid the athletic department in recruiting employees who may not be expected to remain in the TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

Contributions by the athletic department are 14.2% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution, determined actuarially. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Employer contributions to the optional retirement plan totaled \$66,994, \$60,333, and \$55,999, respectively, for the years ended June 30, 2001, 2000, and 1999.

**5. OUTSIDE ORGANIZATIONS CREATED FOR
OR IN BEHALF OF SOUTHEASTERN LOUISIANA
UNIVERSITY INTERCOLLEGIATE ATHLETICS PROGRAM**

The Southeastern Development Foundation, Inc., endowment funds (SLU Athletic Memorial, John Faught Scholarship, Don & Willie Lewis Scholarship, Richard Sharp Scholarship, State Farm Athletic Scholarship, Elmer "Grady" Morgan Scholarship, Duane and Leigh Shafer Scholarship, Robin Roberts Scholarship, Danny Farris Scholarship, and Pat Kenelly Scholarship) and restricted funds are maintained within the Southeastern Development Foundation, Inc., which is a separate corporation whose financial statements were audited by independent certified public accountants for the year ended June 30, 2001.

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Notes to the Financial Statements (Concluded)

The Southeastern Athletic Association, Inc., is a not-for-profit organization formed to promote and support the university's athletic program. The Southeastern Athletic Association, Inc., was formerly known as the Southeastern Louisiana University Booster Club, Inc. During the year ended June 30, 2001, the club's Board of Directors unanimously approved the name change for the organization. The Athletic Association is a separate corporation whose financial statements were audited by independent certified public accountants for the year ended June 30, 2001.

During the year ended June 30, 2001, the Southeastern Athletic Association, Inc., provided \$4,771 to the athletic program and the Southeastern Development Foundation provided \$7,578 to the athletic program, which is included as other sources of revenue on the Statement of Revenues and Expenditures (Statement A). Except for these funds received by the university, other funds of the Southeastern Athletic Association, Inc., and funds of the Southeastern Development Foundation, Inc., are not under the accounting control of the university and are not included in the Statement of Revenues and Expenditures (Statement A).

6. CONTRIBUTIONS (GIFTS IN-KIND)

Contributions-in-kind are received by the Southeastern Athletic Association, Inc., and included in the financial statements of the Athletic Association. Because these contributions-in-kind are not considered to be under the accounting control of the university, they are not included in the Statement of Revenues and Expenditures (Statement A).

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**SUPPLEMENTAL INFORMATION SCHEDULE
For the Year Ended June 30, 2001**

The following supplemental information schedule presents revenues and expenditures on behalf of Southeastern Louisiana University's Athletic Department made by outside organizations not subject to the university's accounting controls for the year ended June 30, 2001. Revenues and expenditures of the Southeastern Athletic Association, Inc., and a portion of the revenues and expenditures of the Southeastern Development Foundation, Inc., are used by those organizations to support the athletic department of Southeastern Louisiana University. Except for \$4,771 paid by the Southeastern Athletic Association, Inc., and \$7,578 paid by the Southeastern Development Foundation, Inc., to the university for the year ended June 30, 2001, these funds are not subject to the university's accounting controls and are not included in the Statement of Revenues and Expenditures (Statement A).

The Schedule of Revenues and Expenditures (Schedule 1) include contributions-in-kind of \$47,639 in donation revenue of the Southeastern Athletic Association, Inc., for the year ended June 30, 2001. These gifts in-kind were for travel (\$10,000), operating services (\$22,200), supplies (\$10,737), other charges (\$1,200), and other expenditures (\$5,502) and were included in these Southeastern Athletic Association, Inc., expenditures on the Schedule of Revenues and Expenditures (Schedule 1).

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STATE OF LOUISIANA
OUTSIDE FUNDS NOT SUBJECT TO UNIVERSITY'S
ACCOUNTING CONTROL

Schedule of Revenues and Expenditures
For the Year Ended June 30, 2001

	Southeastern Athletic Association, Inc.	(A Portion of) Southeastern Development Foundation, Inc.	Total
REVENUES			
Donations	\$163,157	\$20,060	\$183,217
Interest income	660	6,418	7,078
Other sources	127,709	623,956	751,665
Total revenues	<u>291,526</u>	<u>650,434</u>	<u>941,960</u>
EXPENDITURES			
Travel	37,224		37,224
Operating services	90,297		90,297
Supplies	48,116		48,116
Other charges	87,560	7,117	94,677
Total expenditures	<u>263,197</u>	<u>7,117</u>	<u>270,314</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$28,329</u>	<u>\$643,317</u>	<u>\$671,646</u>